



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jose Obregon

SUBJECT: Fleet & Equipment Services
Core Service: Why Not More Reductions
Given City Downsizing?

DATE: May 17, 2004

Approved /s/ Date 5/28/04

BACKGROUND

This is in response to Councilmember Cortese's request for additional information regarding the level of Fleet and Equipment Services funding per the Fleet and Equipment Services Resource Summary on page 530 of the 2004-2005 Proposed Operating Budget.

ANALYSIS

The Fleet and Equipment Services core service has faced significant reductions over the last two years. In 2004-2005, the core service will operate with 9.4% fewer positions (8.5 FTE) than were authorized at the onset of 2003-2004 as a result of eliminating 2.5 positions as part of the General Fund Rebalancing Plan in September 2003, eliminating 2 positions in the 100 Vacant Eliminations Plan in March 2004, the proposed reduction of 2 positions included in the 2004-2005 Proposed Operating Budget, and the elimination of 2 positions which enabled the vacancy rate that is applied to this core service to be reduced. The staffing reduction of 9.4% is well in excess of the overall percentage decrease in the budget.

Additionally, the non-personal/equipment allocation has been reduced by 29% over the last two years. The majority of this allocation is for contractual support for fleet services. Reductions in this area will necessitate in-sourcing a significant amount of vehicle repairs. Despite these reductions, total resources will only be reduced by 2.7%, or \$416,485, in 2004-2005. This reduction is made up of personal services and non-personal/equipment reductions, which are partially offset by an increase in inventory costs.

The percentage of funding reductions in this core service is lower than the actual reduction in resources due to two factors: a reduction in the personal services vacancy rate and an increase in employee benefit costs. Each core service has vacancy rates built into its personal service budget, which are based on an assumed turnover rate. In 2003-2004, the rate for this core service was 7%. It has been adjusted downward for 2004-2005 to more accurately reflect anticipated vacancies. As a result of this decrease, the budget for personal services increased. The combination of the vacancy rate adjustment and the increased employee benefit costs has limited the amount of actual cost savings the core service has been able to realize.

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The inventory appropriation, which funds anticipated costs for fuel and parts, is proposed to increase by 1.3% in 2004-2005. It should be noted, however, that this increase is due exclusively to the increased cost of fuel.

General Services Fleet Management will continue to right size the fleet. Total savings from the fleet right-sizing effort will, however, be somewhat limited, since approximately 80% of fleet staff resources are devoted to supporting the public safety and public health vehicles. Further staff reductions in this core service may impact the ability to appropriately maintain public safety and health vehicles.

/s/

JOSE OBREGON

Director of General Services

